



Lesedi Local Municipality
(Registration number GT423)
Annual Financial Statements
for the year ended 30 June 2020

Draft

Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of entity	Municipality Municipal demarcation code - GT423
Nature of business and principal activities	Local municipal functions as set out in the Constitution of South Africa (Act No. 105 of 1996)
Members of Council	
Executive Mayor	LF Maloka
Speaker	MNR Nkosi
Mayoral Committee	MV Motsepe T Motsepe TS Moremi MK Rakitla TE Ramothibe
Councillors	TJ Gama M Malefela HACS Paul RS Hlatshwayo MP Mthonyane TP Nyemba BV Mgqosi MJ Abdullah MA Mulder JM Sabsaba ZS Twala M Boshoff PR Mnchunu LS Gamede GC Holzhausen TN Mofokeng EM Magazi MS Lukhele SJ Mnyakeni
Grading of local authority	Grade 4 Local Municipality
Accounting Officer	S Dlamini (Acting)
Chief Finance Officer (CFO)	G Mncube (Acting)
Registered office	Civic Centre c/o HF Verwoerd and Louw Street Heidelberg 1441
Postal address	PO Box 201 Heidelberg 1438
Bankers	ABSA Bank
Auditors	Auditor General of South Africa

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COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2020 and were signed on its behalf by:

Accounting Officer
Designation

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Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2020.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year 8 number of meetings were held.

Name of member	Number of meetings attended
Mr. T Boltman (Chairperson)	6
Ms. A Noah	8
Mr. M Nondwangu	8
Mr. R Loubser	7
Adv T Bokako	6

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review. It was however noted that..... (e.g. suspense accounts were not cleared on a monthly basis).

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Audit Committee Report

Chairperson of the Audit Committee

Date: _____

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Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	7	5 819 430	5 150 725
Receivables from exchange transactions	8&10	149 267 356	125 834 416
Receivables from non-exchange transactions	9&10	53 260 588	40 420 454
Cash and cash equivalents	11	69 888 466	41 381 771
		278 235 840	212 787 366
Non-Current Assets			
Investment property	3	169 138 507	178 393 219
Property, plant and equipment	4	854 208 634	726 967 856
Intangible assets	5	3 057 838	3 537 800
Heritage assets	6	4 662 664	4 662 664
		1 031 067 643	913 561 539
Total Assets		1 309 303 483	1 126 348 905
Liabilities			
Current Liabilities			
Other financial liabilities	12	4 791 323	4 358 431
Payables from exchange transactions	15	112 556 189	103 159 446
VAT payable	16	86 124 609	66 792 075
Consumer deposits	17	18 092 860	15 654 785
Unspent conditional grants and receipts	18	28 711 623	11 161 049
Provisions	14	18 425 451	14 553 245
		268 702 055	215 679 031
Non-Current Liabilities			
Other financial liabilities	12	41 805 554	46 596 877
Employee benefit obligation	13	21 882 998	21 110 166
Provisions	14	26 060 933	26 060 933
		89 749 485	93 767 976
Total Liabilities		358 451 540	309 447 007
Net Assets		950 851 943	816 901 898
Accumulated surplus		950 851 943	816 901 898

* See Note 46

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Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	539 909 994	473 508 572
Rental of facilities and equipment	21	6 280 279	5 563 219
Licences and permits	22	48 406	20 723
Recoveries		1 927 587	1 294 800
Other income	23	3 327 468	5 030 094
Interest received - investment	24	37 148 403	31 562 301
Actuarial gains		-	3 471 938
Total revenue from exchange transactions		588 642 137	520 451 647
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	131 809 210	109 687 922
Transfer revenue			
Government grants & subsidies	26	206 504 406	192 811 105
Public contributions and donations		129 307 107	9 880 059
Fines, Penalties and Forfeits	27	1 155 450	699 042
Total revenue from non-exchange transactions		468 776 173	313 078 128
Total revenue	19	1 057 418 310	833 529 775
Expenditure			
Employee related costs	28	(199 081 277)	(177 798 706)
Remuneration of councillors	29	(11 075 739)	(10 850 669)
Depreciation and amortisation	30	(37 493 910)	(34 326 274)
Impairments of assets	31	(17 770 539)	(162 863)
Finance costs	32	(6 314 244)	(8 166 165)
Lease rentals on operating lease	33	(2 001 454)	(4 028 710)
Debt Impairment	34	(174 768 705)	(133 769 819)
Bulk purchases	35	(331 651 987)	(299 121 378)
Contracted services	36	(75 129 129)	(71 984 860)
Loss on disposal of assets and liabilities		(3 598 996)	(85 233)
Inventories losses/write-downs		(1 221)	(123 251)
General Expenses	37	(64 581 073)	(54 637 189)
Total expenditure		(923 468 274)	(795 055 117)
Surplus for the year		133 950 036	38 474 658

* See Note 46

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	767 373 656	767 373 656
Adjustments		
Correction of errors	11 053 584	11 053 584
Balance at 01 July 2018 as restated*	778 427 240	778 427 240
Changes in net assets		
Surplus for the year	38 474 658	38 474 658
Total changes	38 474 658	38 474 658
Restated* Balance at 01 July 2019	816 901 907	816 901 907
Changes in net assets		
Surplus for the year	133 950 036	133 950 036
Total changes	133 950 036	133 950 036
Balance at 30 June 2020	950 851 943	950 851 943

Note(s)

Draft

* See Note 46

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Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Taxation		109 094 848	98 706 845
Sale of goods and services		388 161 818	333 600 249
Grants		218 095 646	192 357 905
Interest income		37 148 403	31 562 301
		752 500 715	656 227 300
Payments			
Employee costs		(201 529 972)	(189 482 814)
Suppliers		(464 728 937)	(399 521 189)
Finance costs		(6 314 244)	(4 897 199)
		(672 573 153)	(593 901 202)
Net cash flows from operating activities	41	79 927 562	62 326 098
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(47 062 436)	(63 619 217)
Proceeds from sale of property, plant and equipment	4	-	(1)
Purchase of other intangible assets	5	-	(621 438)
Net cash flows from investing activities		(47 062 436)	(64 240 656)
Cash flows from financing activities			
Repayment of other financial liabilities		(4 358 431)	(4 010 414)
Net cash flows from financing activities		(4 358 431)	(4 010 414)
Net increase/(decrease) in cash and cash equivalents		28 506 695	(5 924 972)
Cash and cash equivalents at the beginning of the year		41 381 771	47 306 741
Cash and cash equivalents at the end of the year	11	69 888 466	41 381 769

* See Note 46

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	528 987 505	3 677 044	532 664 549	539 909 994	7 245 445	
Rental of facilities and equipment	5 219 316	107 428	5 326 744	6 280 279	953 535	
Licences and permits	40 817	(7 449)	33 368	48 406	15 038	
Recoveries	496 367	603 593	1 099 960	1 927 587	827 627	Note 58(1)
Other income	4 376 880	(2 558 491)	1 818 389	3 327 468	1 509 079	Note 58(2)
Interest received - investment	29 240 072	4 984 317	34 224 389	37 148 403	2 924 014	Note 58(3)
Total revenue from exchange transactions	568 360 957	6 806 442	575 167 399	588 642 137	13 474 738	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	116 940 708	12 349 694	129 290 402	131 809 210	2 518 808	
Transfer revenue						
Government grants & subsidies	221 073 915	9 148 728	230 222 643	206 504 406	(23 718 237)	Note 58(4)
Public contributions and donations	-	-	-	129 307 107	129 307 107	Note 58(5)
Fines, Penalties and Forfeits	45 919 353	(45 856 853)	62 500	1 155 450	1 092 950	Note 58(6)
Total revenue from non-exchange transactions	383 933 976	(24 358 431)	359 575 545	468 776 173	109 200 628	
Total revenue	952 294 933	(17 551 989)	934 742 944	1 057 418 310	122 675 366	
Expenditure						
Personnel	(209 696 988)	12 335 214	(197 361 774)	(199 081 277)	(1 719 503)	
Remuneration of councillors	(11 795 677)	-	(11 795 677)	(11 075 739)	719 938	
Depreciation and amortisation	(38 768 608)	2 000 000	(36 768 608)	(37 493 910)	(725 302)	
Impairment loss/ Reversal of impairments	-	-	-	(17 770 539)	(17 770 539)	Note 58(7)
Finance costs	(7 711 200)	-	(7 711 200)	(6 314 244)	1 396 956	
Lease rentals on operating lease	(3 227 704)	(487 480)	(3 715 184)	(2 001 454)	1 713 730	
Debt Impairment	(150 776 271)	29 485 764	(121 290 507)	(174 768 705)	(53 478 198)	Note 58(8)
Bulk purchases	(341 353 138)	1 300 000	(340 053 138)	(331 651 987)	8 401 151	Note 58(9)
Contracted Services	(80 283 586)	(7 161 377)	(87 444 963)	(75 129 129)	12 315 834	Note 58(10)
Transfers and Subsidies	-	(670 000)	(670 000)	-	670 000	
General Expenses	(61 012 094)	(4 419 345)	(65 431 439)	(64 581 073)	850 366	
Total expenditure	(904 625 266)	32 382 776	(872 242 490)	(919 868 057)	(47 625 567)	
Operating surplus	47 669 667	14 830 787	62 500 454	137 550 253	75 049 799	
Loss on disposal of assets and liabilities	-	-	-	(3 598 996)	(3 598 996)	
Inventories losses/write-downs	-	-	-	(1 221)	(1 221)	
	-	-	-	(3 600 217)	(3 600 217)	
Surplus before taxation	47 669 667	14 830 787	62 500 454	133 950 036	71 449 582	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	47 669 667	14 830 787	62 500 454	133 950 036	71 449 582	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	4 919 844	228 785	5 148 629	5 819 430	670 801
Receivables from exchange transactions	216 622 303	(7 336 512)	209 285 791	148 870 595	(60 415 196)
Receivables from non-exchange transactions	43 391 834	(5 072 794)	38 319 040	53 260 588	14 941 548
Cash and cash equivalents	14 844 379	20 814 678	35 659 057	69 888 466	34 229 409
	279 778 360	8 634 157	288 412 517	277 839 079	(10 573 438)

Non-Current Assets

Investment property	180 157 949	2 458 749	182 616 698	169 138 507	(13 478 191)
Property, plant and equipment	740 828 792	54 986 603	795 815 395	854 208 634	58 393 239
Intangible assets	3 010 948	(94 586)	2 916 362	3 057 838	141 476
Heritage assets	4 662 664	-	4 662 664	4 662 664	-
	928 660 353	57 350 766	986 011 119	1 031 067 643	45 056 524

Total Assets	1 208 438 713	65 984 923	1 274 423 636	1 308 906 722	34 483 086
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Liabilities

Current Liabilities

Other financial liabilities	4 358 431	-	4 358 431	4 791 323	432 892
Payables from exchange transactions	193 461 232	(10 504 695)	182 956 537	112 556 189	(70 400 348)
VAT payable	45 407 542	21 384 532	66 792 074	86 124 609	19 332 535
Consumer deposits	15 569 013	1 123 765	16 692 778	18 092 860	1 400 082
Unspent conditional grants and receipts	-	-	-	28 711 623	28 711 623
Provisions	13 181 271	6 240 506	19 421 777	18 425 451	(996 326)
	271 977 489	18 244 108	290 221 597	268 702 055	(21 519 542)

Non-Current Liabilities

Other financial liabilities	46 596 875	2	46 596 877	41 805 554	(4 791 323)
Employee benefit obligation	31 819 597	(10 922 956)	20 896 641	21 882 998	986 357
Provisions	8 997 105	17 063 828	26 060 933	26 060 933	-
	87 413 577	6 140 874	93 554 451	89 749 485	(3 804 966)

Total Liabilities	359 391 066	24 384 982	383 776 048	358 451 540	(25 324 508)
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Net Assets	849 047 647	41 599 941	890 647 588	950 455 182	59 807 594
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	849 047 647	41 599 941	890 647 588	950 455 182	59 807 594
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Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

Figures in Rand	Note(s)	2020	2019
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1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

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Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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Accounting Policies

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure	Straight-line	
• Roads and paving		5-80 years
• Electricity		10-50 years
• Water		10-40 years
• Sewerage		12-20 years
• Landfill site		15-30 years

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1.4 Property, plant and equipment (continued)

Community	Straight-line	
• Buildings		30-60 years
• Recreational facilities		20-50 years
• Security		5 years
Other property, plant and equipment	Straight-line	
• Buildings		30-60 years
• Specialist vehicles		5-20 years
• Other vehicles		5-20 years
• Furniture and fittings		3-18 years
• Bins and containers		3-18 years
• Office equipment		3-18 years
• Library books		5-25 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from the estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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1.5 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 years
Servitudes	Straight-line	indefinite

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Heritage assets

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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1.7 Financial instruments (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Trade and other receivables
Other receivables from exchange transactions
Cash and cash equivalents

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Other financial liabilities
Trade and other payables
Consumer deposits

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

1.8 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

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Accounting Policies

1.8 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, a municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

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1.8 Statutory receivables (continued)

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Income for leases is disclosed under revenue in statement of financial performance.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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1.10 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The cost of inventories is assigned by using the first-in, first-out (FIFO) formula, except for water balance which is determined at cost at the reporting date due to it being measured at reporting date.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

Recognition and measurement (Individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

1.12 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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1.14 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

Debt impairment is calculated as follows:

- all residential debts which are 90 days and above will be provided for at 100% of the outstanding amount;
- all residential debt which are above 60 days and below 90 days will be provided for at 10% of the outstanding amount;
- residential debt below 60 days will not be provided for; and
- no provision will be made for outstanding government, business and agricultural debt.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised in surplus and deficit using the effective interest rate method.

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Accounting Policies

1.17 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Fines are impaired based on the "average collection" rate in the previous two financial years.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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Accounting Policies

1.20 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Budget information

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

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Accounting Policies

1.24 Related parties (continued)

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the control of the municipality are considered to be related parties.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	The impact of the standard is not material.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	The impact of the standard is not material.
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	The impact of the standard is not material.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	The impact of the standard is not material.
• GRAP 20: Related parties	01 April 2019	The impact of the standard is not material.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	The impact of the standard is not material.
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	The impact of the standard is not material.
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	The impact of the standard is not material.
• GRAP 107: Mergers	01 April 2019	The impact of the standard is not material.
• GRAP 108: Statutory Receivables	01 April 2019	The impact of the standard is not material.
• GRAP 109: Accounting by Principals and Agents	01 April 2019	The impact of the standard is not material.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	The impact of the standard is not material.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	The impact of the standard is not material.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	The impact of the standard is not material.
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	The impact of the standard is not material.
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	The impact of the standard is not material.
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2019	Unlikely there will be a material impact
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2020	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Unlikely there will be a material impact

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3. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	263 659 075	(94 520 568)	169 138 507	263 659 075	(85 265 856)	178 393 219
Reconciliation of investment property - 2020						
Investment property				Opening balance 178 393 219	Depreciation (9 254 712)	Total 169 138 507
Reconciliation of investment property - 2019						
Investment property				Opening balance 187 647 931	Depreciation (9 254 712)	Total 178 393 219

Pledged as security

No portion of investment property has been pledged as security for liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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4. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	173 147 559	-	173 147 559	173 147 559	-	173 147 559
Plant and machinery	968 836	(1 121 444)	871 892	1 875 796	(973 079)	902 717
Furniture and fixtures	14 333 807	(11 300 842)	3 032 965	13 705 887	(10 243 592)	3 462 295
Motor vehicles	87 005 338	(19 614 639)	7 450 700	26 705 829	(18 654 754)	8 051 075
Office equipment	3 963 070	(3 956 052)	2 009 018	4 868 327	(3 381 924)	1 486 403
Infrastructure	889 687 286	(357 916 191)	532 021 095	732 038 984	(339 838 631)	392 200 353
Community	456 941 363	(96 158 213)	59 783 150	139 985 284	(74 518 249)	65 467 035
Capital work in progress	68 005 786	-	68 005 786	72 999 322	-	72 999 322
Library books	22 715 187	(14 828 718)	7 886 469	22 711 818	(13 460 721)	9 251 097
Total	1 359 104 733	(504 896 099)	854 208 634	1 188 038 806	(461 070 950)	726 967 856

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	173 147 559	-	-	-	-	-	-	173 147 559
Plant and machinery	902 717	117 540	-	-	-	(148 365)	-	871 892
Furniture and fixtures	3 462 295	627 919	-	-	-	(1 057 249)	-	3 032 965
Motor vehicles	8 051 075	1 029 218	(105 227)	-	-	(1 524 366)	-	7 450 700
Office equipment	1 486 403	1 096 743	-	-	-	(574 128)	-	2 009 018
Infrastructure	392 200 353	10 717 230	(1 179 825)	129 307 106	20 661 579	(18 885 348)	-	532 021 095
Community	65 467 035	36 800	(1 510 370)	-	17 765 575	(4 201 777)	(17 774 136)	59 783 150
Capital work in progress	72 999 322	33 433 618	-	-	(38 427 154)	-	-	68 005 786
Library books	9 251 097	3 368	-	-	-	(1 367 996)	-	7 886 469
	726 967 856	41 062 436	(3 595 399)	129 307 106	-	(27 759 229)	(17 774 136)	854 208 634

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment loss	Total
Land	173 147 559	-	-	-	-	-	-	173 147 559
Plant and machinery	720 606	301 202	-	-	-	(119 091)	-	902 717
Furniture and fixtures	3 758 436	697 103	-	53 891	-	(1 047 135)	-	3 462 295
Motor vehicles	8 452 500	1 254 045	(87 271)	-	-	(1 588 199)	-	8 051 075
Office equipment	1 494 306	479 523	-	-	-	(487 426)	-	1 486 403
Infrastructure	348 859 267	32 551 399	(17 160)	9 826 167	16 761 279	(15 616 936)	(162 863)	392 200 353
Community	66 196 524	3 463 960	-	-	-	(4 193 448)	-	65 467 035
Capital work in progress	49 146 893	23 852 425	-	-	-	-	-	72 999 322
Library books	9 890 355	1 019 355	-	-	-	(1 658 814)	-	9 251 097
	661 666 449	61 619 217	(85 232)	9 880 058	16 761 279	(24 711 049)	(162 863)	726 967 856

Pledged as security

No portion of property, plant and equipment has been pledged as security for liabilities.

Reconciliation of Work-in-Progress 2020

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	19 057 115	22 532 378
Materials	12 169 652	7 945 080
	31 226 767	30 477 458

In addition to the property, plant and equipment above, the municipality has land on which RDP houses have been built. The land is still registered in the deeds office in the name of the municipality. The municipality does not have control over these properties and it is therefore not recognised as assets as it does not comply with the definition of assets as per GRAP 17.
Total value: R144 958 483 (2018: R146 883 483)

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4. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4 409 000	(3 968 094)	440 906	4 409 000	(3 488 132)	920 868
Servitudes	2 616 932	-	2 616 932	2 616 932	-	2 616 932
Total	7 025 932	(3 968 094)	3 057 838	7 025 932	(3 488 132)	3 537 800

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	920 868	(479 962)	440 906
Servitudes	2 616 932	-	2 616 932
	3 537 800	(479 962)	3 057 838

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	659 944	621 438	(360 514)	920 868
Servitudes	2 616 932	-	-	2 616 932
	3 276 876	621 438	(360 514)	3 537 800

Pledged as security

No portion of intangible assets have been pledged as security for liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

6. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	4 662 664	-	4 662 664	4 662 664	-	4 662 664

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	4 662 664	4 662 664

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6. Heritage assets (continued)

Reconciliation of heritage assets 2019

	Opening balance	Total
Historical monuments	4 662 664	4 662 664

Pledged as security

No portion of heritage assets has been pledged as security for liabilities

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

7. Inventories

Consumable stores	5 315 555	4 477 253
Water for distribution	428 659	347 128
Fuel (Diesel, Petrol)	75 216	326 344
	5 819 430	5 150 725

8. Receivables from exchange transactions

Consumer debtors - Electricity	43 890 702	36 580 371
Consumer debtors - Water	36 590 818	27 104 443
Consumer debtors - Sewerage	8 122 707	6 736 093
Consumer debtors - Refuse	7 906 854	6 711 471
Consumer debtors - VAT	13 250 833	10 572 934
Consumer debtors - Other	35 859 927	35 337 832
Deposits	673 792	649 543
Accrued interest	202 389	299 594
Prepaid expenses	396 761	-
Other debtors	2 372 573	1 842 135
	149 267 356	125 834 416

9. Receivables from non-exchange transactions

Consumer debtors - Rates	39 633 169	28 468 049
Fines	8 863 612	8 864 658
Government grants and subsidies	4 763 807	3 087 747
	53 260 588	40 420 454

Reconciliation for traffic fines is shown in note 55

10. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	100 926 543	78 212 181
Consumer debtors - Electricity	224 200 671	177 510 388
Consumer debtors - Water	274 562 154	215 485 307
Consumer debtors - Sewerage	70 631 804	56 473 464
Consumer debtors - Refuse	93 363 207	77 052 483
Consumer debtors - VAT	86 821 242	68 612 110
Consumer debtors - Other	82 024 120	73 411 711
	932 529 741	746 757 644

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10. Consumer debtors disclosure (continued)		
Less: Allowance for impairment		
Consumer debtors - Rates	(61 293 374)	(49 744 132)
Consumer debtors - Electricity	(180 309 969)	(140 930 017)
Consumer debtors - Water	(237 971 336)	(188 380 864)
Consumer debtors - Sewerage	(62 509 097)	(49 737 371)
Consumer debtors - Refuse	(85 456 353)	(70 341 012)
Consumer debtors - VAT	(73 570 409)	(58 039 176)
Consumer debtors - Other	(46 164 193)	(38 073 879)
	(747 274 731)	(595 246 451)
Net balance		
Consumer debtors - Rates	39 633 169	28 468 049
Consumer debtors - Electricity	43 890 702	36 580 371
Consumer debtors - Water	36 590 818	27 104 443
Consumer debtors - Sewerage	8 122 707	6 736 093
Consumer debtors - Refuse	7 906 854	6 711 471
Consumer debtors - VAT	13 250 833	10 572 934
Consumer debtors - Other	35 859 927	35 337 832
	185 255 010	151 511 193
Rates		
Current (0 -30 days)	12 785 343	7 837 586
31 - 60 days	4 180 430	3 005 089
61 - 90 days	3 554 869	2 367 744
91 - 120 days	1 318 346	849 992
121 - 365 days	8 229 882	4 831 003
> 365 days	9 564 299	9 576 635
	39 633 169	28 468 049
Electricity		
Current (0 -30 days)	19 824 940	17 748 226
31 - 60 days	6 917 462	5 012 232
61 - 90 days	6 413 083	4 694 360
91 - 120 days	849 003	469 041
121 - 365 days	5 373 811	2 856 152
> 365 days	4 512 403	5 800 360
	43 890 702	36 580 371
Water		
Current (0 -30 days)	14 715 025	11 093 013
31 - 60 days	7 864 338	5 382 864
61 - 90 days	7 775 522	4 894 348
91 - 120 days	272 100	247 586
121 - 365 days	1 663 961	5 486 632
> 365 days	4 299 872	-
	36 590 818	27 104 443

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10. Consumer debtors disclosure (continued)		
Sewerage		
Current (0 -30 days)	2 628 653	2 368 766
31 - 60 days	1 845 951	1 501 201
61 - 90 days	1 703 626	1 375 470
91 - 120 days	92 428	55 633
121 - 365 days	557 870	356 782
> 365 days	1 294 179	1 078 241
	8 122 707	6 736 093
Refuse		
Current (0 -30 days)	2 766 054	2 282 807
31 - 60 days	2 084 110	1 746 659
61 - 90 days	1 936 853	1 619 536
91 - 120 days	65 805	43 365
121 - 365 days	353 659	256 443
> 365 days	700 373	762 661
	7 906 854	6 711 471
VAT		
Current (0 -30 days)	5 649 225	4 900 599
31 - 60 days	2 478 721	1 845 384
61 - 90 days	2 357 042	1 699 529
91 - 120 days	178 391	114 502
121 - 365 days	1 065 715	642 585
> 365 days	1 521 739	1 370 335
	13 250 833	10 572 934
Other		
Current (0 -30 days)	1 132 998	2 727 121
31 - 60 days	752 816	992 942
61 - 90 days	687 526	1 090 756
91 - 120 days	341 993	277 828
121 - 365 days	2 719 236	2 354 264
> 365 days	30 225 358	27 894 921
	35 859 927	35 337 832
Reconciliation of allowance for impairment		
Balance at beginning of the year	(595 246 451)	(490 879 735)
Contributions to allowance	(173 723 466)	(133 183 727)
Debt impairment written off against allowance	21 695 186	28 817 011
	(747 274 731)	(595 246 451)
11. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	2 080	2 080
Bank balances	6 466 619	3 499 880
Short-term deposits	63 419 767	37 879 811
	69 888 466	41 381 771

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11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA Bank - Main Cheque Account	4 286 817	3 246 800	3 464 596	5 943 732	3 468 445	3 717 134
ABSA Bank - Cheque Account	50 345	536	778 886	50 345	536	778 886
ABSA Bank - Call Account	39 660 153	37 483 163	32 816 019	39 660 153	37 483 163	32 816 019
Investec - Call Account	23 759 547	396 579	9 769 134	23 759 547	396 579	9 769 134
FNB - Main Cheque Account	656 650	39 287	-	656 650	39 287	-
FNB - Cheque Account	-	(8 388)	-	-	(8 388)	-
Total	68 413 512	41 157 977	46 828 635	70 070 427	41 379 622	47 081 173

12. Other financial liabilities

At amortised cost

Long term loans: DBSA 46 596 877 50 955 308

The municipality has various loans with the DBSA with periods ranging from 12 to 20 years. The interest rates are fixed and range from 5% to 14.24%.

Non-current liabilities

At amortised cost 41 805 554 46 596 877

Current liabilities

At amortised cost 4 791 323 4 358 431

Lesedi Local Municipality

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Figures in Rand	2020	2019																																				
13. Employee benefit obligations																																						
Defined benefit plan																																						
Post retirement medical aid plan																																						
<p>The municipality's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary pensioner.</p> <p>Lesedi local municipality operates on 5 accredited medical aid schemes, namely Hosmed, Key Health, SAMWU Med, Bonitas and LA Health.</p> <p>The municipality provides post-retirement benefits by subsidising the medical aid contributions of an employee who retires from employment and who, immediately prior to his or her retirement, enjoyed the benefit of the subsidy of his or her medical aid contributions by the municipality, will continue to receive a subsidy calculated as follows:</p> <ul style="list-style-type: none">- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the municipality as at the date of retirement will be 60% to a maximum amount of the norm, of the cost of his or her medical scheme contributions as at the day immediately prior to the date of his or her retirement.- If the employee is 50 years or older on the 1 July 2003, his or her subsidy from the municipality as at the date of retirement will be 50% to a maximum amount of the norm, of the cost of his or her medical scheme contributions as at the day immediately prior to the date of his or her retirement. <p>This benefit is subject to a maximum Rand cap of R4492.</p> <p>The Rand cap amount is expected to increase each year in line with healthcare cost inflation, effective 1 January each year.</p> <p>Summary of membership date:</p> <table><tr><th>Reason</th><th>Number</th><th>Average Age</th></tr><tr><td>Continuation members</td><td>32</td><td>74.25</td></tr></table> <p>The amounts recognised in the statement of financial position are as follows:</p> <table><tr><td>Carrying value</td><td></td><td></td></tr><tr><td>Present value of the defined benefit obligation-wholly unfunded</td><td>(21 882 998)</td><td>(21 110 166)</td></tr></table> <p>Changes in the present value of the defined benefit obligation are as follows:</p> <table><tr><td>Opening balance</td><td>21 110 167</td><td>24 229 597</td></tr><tr><td>Net expense recognised in the statement of financial performance</td><td>772 831</td><td>(3 119 430)</td></tr><tr><td></td><td>21 882 998</td><td>21 110 167</td></tr></table> <p>Net expense recognised in the statement of financial performance</p> <table><tr><td>Interest cost</td><td>1 760 781</td><td>2 295 000</td></tr><tr><td>Actuarial (gains) losses</td><td>2 257 067</td><td>(3 471 938)</td></tr><tr><td>Settlement</td><td>(3 245 017)</td><td>(1 942 492)</td></tr><tr><td></td><td>772 831</td><td>(3 119 430)</td></tr></table> <p>Calculation of actuarial gains and losses</p> <table><tr><td>Actuarial (gains) losses – Obligation</td><td>2 257 067</td><td>(3 471 938)</td></tr></table>			Reason	Number	Average Age	Continuation members	32	74.25	Carrying value			Present value of the defined benefit obligation-wholly unfunded	(21 882 998)	(21 110 166)	Opening balance	21 110 167	24 229 597	Net expense recognised in the statement of financial performance	772 831	(3 119 430)		21 882 998	21 110 167	Interest cost	1 760 781	2 295 000	Actuarial (gains) losses	2 257 067	(3 471 938)	Settlement	(3 245 017)	(1 942 492)		772 831	(3 119 430)	Actuarial (gains) losses – Obligation	2 257 067	(3 471 938)
Reason	Number	Average Age																																				
Continuation members	32	74.25																																				
Carrying value																																						
Present value of the defined benefit obligation-wholly unfunded	(21 882 998)	(21 110 166)																																				
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Net expense recognised in the statement of financial performance	772 831	(3 119 430)																																				
	21 882 998	21 110 167																																				
Interest cost	1 760 781	2 295 000																																				
Actuarial (gains) losses	2 257 067	(3 471 938)																																				
Settlement	(3 245 017)	(1 942 492)																																				
	772 831	(3 119 430)																																				
Actuarial (gains) losses – Obligation	2 257 067	(3 471 938)																																				

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Figures in Rand	2020	2019
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13. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.36 %	8.75 %
Expected increase in healthcare costs	5.97 %	6.34 %
Consumer price inflation	4.47 %	4.84 %
Net discount rate	3.20 %	2.27 %

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	2 006 991	1 873 849
Effect on defined benefit obligation	20 457 298	23 499 255

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	21 682 998	22 241 000	24 230 000	52 549 000	54 390 000

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act, exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

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Figures in Rand	2020	2019
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14. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	27 071 247	-	-	27 071 247
Provision for leave pay	13 542 931	6 665 161	(2 792 955)	17 415 137
	40 614 178	6 665 161	(2 792 955)	44 486 384

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Increase due to remeasurement	Total
Environmental rehabilitation	9 336 002	4 108 100	-	973 966	12 653 179	27 071 247
Provision for leave pay	8 807 281	7 829 918	(3 094 268)	-	-	13 542 931
	18 143 283	11 938 018	(3 094 268)	973 966	12 653 179	40 614 178
Non-current liabilities					26 060 933	26 060 933
Current liabilities					18 425 451	14 553 245
					44 486 384	40 614 178

Environmental rehabilitation provision

The landfill rehabilitation is created for the rehabilitation of the current operational sites which are evaluated at each year end to reflect the best estimate at reporting date. The sites under consideration are the Devon landfill site and the Devon and Poortjie dumping sites.

Key financial assumptions used in this calculation were as follows:

	Devon landfill site	Poortjie dumping site	Devon dumping site
Discount rate	8.4%	8.4%	8.4%
CPI	4.6%	4.6%	4.6%
Net discount rate	3.73%	3.73%	3.73%
Remaining useful life	28 years	15 years	15 years

15. Payables from exchange transactions

Trade payables	72 806 741	65 423 174
Payments received in advanced	27 961 464	23 881 795
Retentions	6 821 973	6 778 581
Grants payable	-	2 140 334
Accrued bonus	3 927 518	3 897 569
Deposits received	1 038 493	1 037 993
	112 556 189	103 159 446

16. VAT payable

VAT	86 124 609	66 792 075
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17. Consumer deposits

All services	18 092 860	15 654 785
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Figures in Rand	2020	2019
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Government grants (operating) 1 - Finance Management Grant	2 931	-
Government grant (operating) 4 - Libraries plan	3 361 965	1 619 483
Government grant (operating) 5 - Provincial clinics	(440 684)	(440 684)
Government grant (operating) 6 - Performance System Management Grant	351 022	500 000
Government grant (operating) 7 - District health	(4 323 123)	(2 647 063)
Government grant (operating) 10 - Bontle Ke Botho Grant	27 371	27 371
Government grant (capital) 1 - Municipal Infrastructure Grant	6 737 525	4 857 084
Government grant (capital) 2 - Integrated National Electrification Programme Grant	91 881	2 526 048
Government grant (capital) 3 - Energy Efficiency and Demand Side Management Grant	117 300	-
Government grant (capital) 4 - Water Services Infrastructure Grant	5 218 351	-
Government grant (capital) 5 - Recapitalization of Community Libraries Grant	6 803 277	1 631 063
Government grant (capital) 6 - Cogta Fire and Rescue Services Grant	6 000 000	-
Government grant (operating) - Moneys receivable	4 763 807	3 087 747
	28 711 623	11 161 049
Movement during the year		
Balance at the beginning of the year	11 161 049	11 841 644
Additions during the year	217 150 839	192 357 905
Income recognition during the year	(206 504 406)	(193 985 913)
Transfer (to)/from payables	2 140 334	(2 140 334)
Reversal of debtor for reconciliation	4 763 807	3 087 747
	28 711 623	11 161 049
Net grants movement reconciliation		
Receivables from non-exchange transactions	(4 763 807)	(3 087 747)
Unspent conditional grant rollovers	28 711 623	11 161 049
	23 947 816	8 073 302
See note 26 for reconciliation of grants from National/Provincial Government.		
These amounts are invested in a ring-fenced investment until utilised.		
19. Revenue		
Service charges	539 909 994	473 508 572
Rental of facilities and equipment	6 280 279	5 563 219
Licences and permits	48 406	20 723
Recoveries	1 927 587	1 294 800
Other income	3 327 468	5 030 094
Interest received - investment	37 148 403	31 562 301
Property rates	131 809 210	109 687 922
Government grants & subsidies	206 504 406	192 811 105
Public contributions and donations	129 307 107	9 880 059
Fines, Penalties and Forfeits	1 155 450	699 042
	1 057 418 310	830 057 837

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Figures in Rand	2020	2019
19. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	539 909 994	473 508 572
Rental of facilities and equipment	6 280 279	5 563 219
Licences and permits	48 406	20 723
Recoveries	1 927 587	1 294 800
Other income	3 327 468	5 030 094
Interest received - investment	37 148 403	31 562 301
	588 642 137	516 979 709
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	131 809 210	109 687 922
Transfer revenue		
Government grants & subsidies	206 504 406	192 811 105
Public contributions and donations	129 307 107	9 880 059
Fines, Penalties and Forfeits	1 155 450	699 042
	468 776 173	313 078 128
20. Service charges		
Sale of electricity	336 627 673	292 581 846
Sale of water	139 159 116	121 734 777
Sewerage and sanitation charges	31 080 260	28 994 705
Refuse removal	33 042 945	30 197 244
	539 909 994	473 508 572
21. Rental of facilities and equipment		
Premises		
Premises	4 743 912	2 143 296
Facilities and equipment		
Rental of facilities	1 372 768	3 252 247
Rental of equipment	163 599	167 676
	1 536 367	3 419 923
	6 280 279	5 563 219
22. Licences and permits (exchange)		
Flammable goods	48 406	20 723

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Figures in Rand	2020	2019
23. Other income		
Abnormal loads	33 612	49 048
Admin fees	5 375	6 842
Cemetery fees	1 327 134	1 252 720
Clearance certificates	30 824	343 552
Development contributions	-	1 318 255
Fire services	6 925	52 444
Library fees	743 985	851 713
Planning fees	962 407	940 270
Swimming pool fees	3 030	-
Sundries	214 176	215 250
	3 327 468	5 030 094
24. Investment revenue		
Interest revenue		
Bank	5 087 253	5 492 763
Interest charged on trade and other receivables	32 061 150	26 069 538
	37 148 403	31 562 301
25. Property rates		
Rates received		
All categories	150 569 332	134 549 137
Less: Income forgone	(18 760 122)	(24 861 215)
	131 809 210	109 687 922
Valuations (R'000)		
Residential	7 466 986	6 695 313
Commercial	2 044 679	1 759 111
State	1 599 931	677 948
Municipal	376 080	297 885
Small holdings and farms	2 080 119	1 877 752
	13 567 795	11 308 009

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
26. Government grants and subsidies		
Operating grants		
Equitable share	133 765 000	119 340 000
Government grant (operating) 1 - Finance Management Grant	1 547 069	1 550 000
Government grant (operating) 2 - Expanded Public Works Program Grant	1 460 000	1 297 000
Government grant (operating) 3 - Municipal Disaster Relief Grant	685 000	-
Government grant (operating) 4 - Libraries plan	5 257 518	1 380 517
Government grant (operating) 5 - Provincial clinics	-	27 816
Government grant (operating) 6 - Performance Management System Grant	148 978	-
Government grant (operating) 7 - District health	4 164 727	3 824 308
Government grant (operating) 8 - Expanded Public Works Program (Cogta)	1 004 000	1 000 000
Government grant (operating) 9 - Grap 17 Compliance Grant	1 000 000	750 000
Government grant (operating) 11 - LG Seta	390 481	218 492
	149 422 773	129 388 133
Capital grants		
Government grant (capital) 1 - Municipal Infrastructure Grant	21 395 607	21 079 916
Government grant (capital) 2 - Integrated National Electrification Program	12 908 119	1 632 952
Government grant (capital) 3 - Energy Efficiency and Demand Side Management Grant	6 882 700	6 000 000
Government grant (capital) 4 - Water Services Infrastructure Grant	9 781 649	25 000 817
Government grant (capital) 5 - Recapitalization of Community Libraries Grant	5 827 785	8 765 060
Government grant (capital) 7 - Small Business Development Grant	285 773	944 227
	57 081 633	63 422 972
	206 504 406	192 811 105
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of R 617 (2019: R 469), which is funded from the grant.		
Government grant (operating) 1 - Finance Management Grant		
Current-year receipts	1 550 000	1 550 000
Conditions met - transferred to revenue	(1 547 069)	(1 550 000)
	2 931	-
Conditions still to be met - remain liabilities (see note 18).		
Government grant (operating) 2 - Expanded Public Works Program Grant		
Current-year receipts	1 460 000	1 270 000
Conditions met - transferred to revenue	(1 460 000)	(1 270 000)
	-	-
Conditions still to be met - remain liabilities (see note 18).		
Government grant (operating) 3 - Municipal Disaster Relief Grant		
Current-year receipts	685 000	-
Conditions met - transferred to revenue	(685 000)	-
	-	-
Conditions still to be met - remain liabilities (see note 18).		

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
26. Government grants and subsidies (continued)		
Government grant (operating) 4 - Libraries plan		
Balance unspent at beginning of year	1 619 483	-
Current-year receipts	7 000 000	3 000 000
Conditions met - transferred to revenue	(5 257 518)	(1 380 517)
	3 361 965	1 619 483

Conditions still to be met - remain liabilities (see note 18).

Government grant (operating) 5 - Provincial clinics

Balance unspent at beginning of year	(440 684)	(440 684)
Current-year receipts	-	27 816
Conditions met - transferred to revenue	-	(27 816)
	(440 684)	(440 684)

Conditions still to be met - remain liabilities (see note 18).

Government grant (operating) 6 - Performance Management System Grant

Balance unspent at beginning of year	500 000	-
Current-year receipts	-	500 000
Conditions met - transferred to revenue	(148 978)	-
	351 022	500 000

Conditions still to be met - remain liabilities (see note 18).

Government grant (operating) 7 - District health

Balance unspent at beginning of year	(2 647 063)	(1 824 307)
Current-year receipts	2 488 667	3 001 552
Conditions met - transferred to revenue	(4 164 727)	(3 824 308)
	(4 323 123)	(2 647 063)

Conditions still to be met - remain liabilities (see note 18).

Government grant (operating) 8 - Expanded Public Works Program (Cogta)

Current-year receipts	1 004 000	1 000 000
Conditions met - transferred to revenue	(1 004 000)	(1 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Government grant (operating) 9 - Grap 17 Compliance Grant

Current-year receipts	1 000 000	750 000
Conditions met - transferred to revenue	(1 000 000)	(750 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Government grant (operating) 10 - BKB Grant

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Figures in Rand	2020	2019
26. Government grants and subsidies (continued)		
Balance unspent at beginning of year	27 371	27 371
Conditions still to be met - remain liabilities (see note 18).		
Government grant (operating) 11 - LG Seta		
Current-year receipts	390 481	218 492
Conditions met - transferred to revenue	(390 481)	(218 492)
	-	-
Conditions still to be met - remain liabilities (see note 18).		
Government grant (capital) 1 - Municipal Infrastructure Grant		
Balance unspent at beginning of year	4 857 084	-
Current-year receipts	26 404 000	25 937 000
Conditions met - transferred to revenue	(21 395 607)	(21 079 916)
Offset against equitable share	(3 127 952)	-
	6 737 525	4 857 084
Conditions still to be met - remain liabilities (see note 18).		
Government grant (capital) 2 - Integrated National Electrification Program		
Balance unspent at beginning of year	2 526 048	1 925 323
Current-year receipts	13 000 000	4 159 000
Conditions met - transferred to revenue	(12 908 119)	(1 632 952)
Offset against equitable share	(2 526 048)	(1 925 323)
	91 881	2 526 048
Conditions still to be met - remain liabilities (see note 18).		
Government grant (capital) 3 - Energy Efficiency and Demand Side Management Grant		
Current-year receipts	7 000 000	6 000 000
Conditions met - transferred to revenue	(6 882 700)	(6 000 000)
	117 300	-
Conditions still to be met - remain liabilities (see note 18).		
Government grant (capital) 4 - Water Services Infrastructure Grant		
Balance unspent at beginning of year	-	7 316 494
Current-year receipts	15 000 000	25 000 000
Conditions met - transferred to revenue	(9 781 649)	(25 000 817)
Offset against equitable share	-	(7 315 677)
	5 218 351	-
Conditions still to be met - remain liabilities (see note 18).		
Government grant (capital) 5 - Recapitalization of Community Libraries Grant		
Balance unspent at beginning of year	1 631 063	2 572 457

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
26. Government grants and subsidies (continued)		
Current-year receipts	8 859 665	9 964 000
Conditions met - transferred to revenue	(5 827 785)	(8 765 060)
Transfer (to)/from payables	2 140 334	(2 140 334)
	6 803 277	1 631 063

Conditions still to be met - remain liabilities (see note 18).

Government grant (capital) 6 - Cogta Fire and Rescue Services Grant

Current-year receipts	6 000 000	-
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Conditions still to be met - remain liabilities (see note 18).

Government grant (capital) 7 - Small Business Development Grant

Current-year receipts	285 773	944 227
Conditions met - transferred to revenue	(285 773)	(944 227)
	-	-

Conditions still to be met - remain liabilities (see note 18).

27. Fines, Penalties and Forfeits

Overdue Books Fines	-	21 842
Municipal Traffic Fines	1 155 450	677 200
	1 155 450	699 042

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Figures in Rand	2020	2019
28. Employee related costs		
Basic	118 819 151	105 940 968
Medical aid - company contributions	10 608 671	9 284 176
UIF	913 814	846 800
WCA	1 586 994	203 011
SDL	1 366 185	1 392 977
Other payroll levies	53 599	47 935
Leave pay provision charge	6 665 161	7 829 919
Pension costs	22 662 551	20 087 144
Group insurance	1 864 496	1 602 474
Overtime payments	11 350 347	9 791 697
Long-service awards	73 181	605 928
13th Cheques	9 068 412	8 523 363
Acting allowances	1 523 343	1 266 896
Car allowance	4 695 711	4 268 378
Housing benefits and allowances	762 779	673 742
Cellphone allowance	295 850	86 696
Entertainment allowance	840	840
Standby	1 261 141	1 033 012
Tool allowance	720	720
Actuarial loss	2 257 067	-
	195 830 013	173 486 676
Remuneration of municipal manager		
Annual Remuneration	-	-
Car Allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
	-	-
Remuneration of chief finance officer		
Annual Remuneration	-	866 210
Car Allowance	-	217 036
Contributions to UIF, Medical and Pension Funds	-	1 487
	-	1 084 733
Remuneration of executive manager: corporate services		
Annual Remuneration	547 180	353 727
Car Allowance	176 500	174 000
Contributions to UIF, Medical and Pension Funds	103 956	34 539
Housing allowance	359 426	598 674
Acting allowance	283 823	382 321
	1 470 885	1 543 261
Remuneration of executive manager: community services		
Annual Remuneration	388 956	560 453
Car Allowance	67 200	-
Contributions to UIF, Medical and Pension Funds	595	892
	456 751	561 345

Remuneration of executive manager: infrastructure services

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2019

28. Employee related costs (continued)

Remuneration of executive manager: development and planning

Annual Remuneration	1 082 300	746 102
Car Allowance	87 383	164 398
Contributions to UIF, Medical and Pension Funds	37 126	212 191
Acting Allowance	71 912	-
Other	44 907	-
	1 323 628	1 122 691

29. Remuneration of councillors

Executive Major	900 271	880 987
Mayoral Committee Members	3 427 016	3 354 687
Speaker	728 375	712 948
Councillors	6 020 077	5 902 047
	11 075 739	10 850 669

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and the Executive Mayor and the Speaker are provided with secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has four full-time bodyguards. The Speaker has two full-time bodyguards.

30. Depreciation and amortisation

Property, plant and equipment	27 759 236	24 711 049
Investment property	9 254 712	9 254 712
Intangible assets	479 962	360 513
	37 493 910	34 326 274

31. Impairment of assets

Impairments

Property, plant and equipment	17 770 539	162 863
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The main classes of assets affected by impairment losses are:

	2019/20	2018/19
Infrastructure assets	-	162,863
Community assets	17,770,539	-

32. Finance costs

Non-current borrowings	4 548 969	4 897 110
Trade and other payables	4 393	-
Bank	101	89
Interest cost on employee benefits	1 760 781	2 295 000
Fair value adjustments on landfill sites	-	973 966
	6 314 244	8 166 165

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Figures in Rand	2020	2019
33. Lease rentals on operating lease		
Motor vehicles		
Contractual amounts	734 504	407 438
Equipment		
Contractual amounts	1 266 950	3 621 272
	2 001 454	4 028 710
34. Debt impairment		
Impairment on traffic fines	902 239	581 742
Contributions to debt impairment provision	173 723 466	133 183 727
Bad debts written off	143 000	4 350
	174 768 705	133 769 819
35. Bulk purchases		
Electricity - Eskom	249 737 880	232 306 448
Water	81 914 107	66 814 930
	331 651 987	299 121 378
36. Contracted services		
Outsourced Services		
Animal Care	20 000	75 000
Burial Services	39 420	35 748
Business and Advisory	5 615 524	6 694 652
Catering Services	674 821	1 083 886
Cleaning Services	532 813	482 092
Fire Services	19 536	33 916
Internal Auditors	2 211 705	1 271 667
Meter Management	2 432 313	3 115 445
Connection/Dis-connection	670 485	-
Security Services	64 637	69 230
Traffic Fines Management	-	921 200
Consultants and Professional Services		
Business and Advisory	3 316 606	3 649 158
Infrastructure and Planning	-	30 000
Legal Cost	2 689 839	3 490 987

Lesedi Local Municipality

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Figures in Rand	2020	2019
36. Contracted services (continued)		
Contractors		
Artists and Performers	13 241	98 922
Catering Services	1 900	10 574
Electrical	11 957 712	12 974 026
Employee Wellness	196 400	146 420
Event Promoters	6 500	17 400
Gardening Services	2 610	4 496
Inspection Fees	255 404	391 203
Maintenance of Buildings and Facilities	394 840	1 243 485
Maintenance of Equipment	1 375 270	1 687 940
Maintenance of Unspecified Assets	5 329 293	6 144 837
Pest Control and Fumigation	1 725	403
Tracing Agents and Debt Collectors	1 047 204	336 149
Traffic and Street Lights	5 984 956	-
Transportation	-	3 200
Safeguard and Security	15 596 098	15 827 692
Sewerage Services	14 678 277	12 145 132
	75 129 129	71 984 860

37. General expenses

Advertising	987 371	812 922
Auditors remuneration	4 001 730	4 069 156
Bank charges	1 374 461	1 527 319
Commission paid	7 087 545	6 636 407
Consumables	811 743	621 536
Entertainment	27 304	55 200
Hire	387 725	1 305 679
Insurance	2 116 981	2 831 069
IT expenses	-	302 178
Fleet	4 536 830	4 537 794
Magazines, books and periodicals	155 895	136 742
Fuel and oil	220 051	78 566
Postage and courier	986 814	1 193 836
Protective clothing	2 520 819	812 100
Software expenses	4 767 424	4 080 732
Subscriptions and membership fees	2 021 212	1 810 247
Telephone and fax	3 240 110	3 188 175
Transport and freight	10 100	15 496
Training	468 252	858 370
Travel - local	577 036	478 592
Refuse	9 485 222	9 256 684
Assets expensed	445 135	289 001
Management fees	1 954 448	-
Materials	12 161 652	7 945 080
Other expenses	4 235 213	1 794 308
	64 581 073	54 637 189

38. Auditors' remuneration

Fees	4 001 730	4 069 156
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39. Taxation

The municipality is exempt from income tax in terms of the Income Tax Act (Act No 58 of 1962) Section 10(1)(a).

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Figures in Rand	2020	2019
40. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Motor vehicles		
▪ Contractual amounts	734 504	407 438
Equipment		
▪ Contractual amounts	1 266 950	3 621 272
	2 001 454	4 028 710
Loss on sale of property, plant and equipment	(3 598 996)	(85 233)
Impairment on property, plant and equipment	17 770 539	162 863
Amortisation on intangible assets	479 962	360 513
Depreciation on property, plant and equipment	27 759 236	24 711 049
Depreciation on investment property	9 254 712	9 254 712
Employee costs	210 157 016	188 649 375
41. Cash generated from operations		
Surplus	133 950 036	38 474 658
Adjustments for:		
Depreciation and amortisation	37 493 910	34 326 274
Loss on disposal of assets and liabilities	3 598 996	85 233
Impairment deficit	17 770 539	162 863
Debt impairment	174 768 705	133 769 819
Movements in retirement benefit assets and liabilities	772 832	(3 119 431)
Movements in provisions	3 872 206	22 470 895
Other non-cash items	-	(26 642 539)
Other non-cash items	(129 307 117)	-
Changes in working capital:		
Inventories	(668 705)	(228 785)
Receivables from exchange transactions	(23 432 940)	(28 242 379)
Consumer debtors	(174 768 705)	(133 769 819)
Other receivables from non-exchange transactions	(12 840 134)	139 660
Payables from exchange transactions	9 396 756	6 591 096
VAT	19 332 534	18 247 304
Unspent conditional grants and receipts	17 550 574	(680 595)
Consumer deposits	2 438 075	741 844
	79 927 562	62 326 098

42. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	3 645 515	3 645 515
Other receivables from non-exchange transactions	13 627 419	13 627 419
Consumer debtors	185 255 010	185 255 010
Cash and cash equivalents	69 888 466	69 888 466
	272 416 410	272 416 410

Lesedi Local Municipality

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Figures in Rand	2020	2019
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42. Contingencies (continued)

Financial liabilities

	At amortised cost	Total
Other financial liabilities	46 596 877	46 596 877
Trade and other payables from exchange transactions	112 556 189	112 556 189
Unspent conditional grants	28 711 623	28 711 623
Consumer deposits	18 092 860	18 092 860
VAT payable	86 124 609	86 124 609
	292 082 158	292 082 158

2019

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	2 791 272	2 791 272
Other receivables from non-exchange transactions	11 952 405	11 952 405
Consumer debtors	151 511 193	151 511 193
Cash and cash equivalents	41 381 771	41 381 771
	207 636 641	207 636 641

Financial liabilities

	At amortised cost	Total
Other financial liabilities	50 955 308	50 955 308
Trade and other payables from exchange transactions	103 159 447	103 159 447
Unspent conditional grants	11 161 049	11 161 049
Consumer deposits	15 654 785	15 654 785
VAT payable	66 792 072	66 792 072
	247 722 661	247 722 661

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Figures in Rand	2020	2019
43. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	28 596 895	26 849 464
Total capital commitments		
Already contracted for but not provided for	28 596 895	26 849 464
Authorised operational expenditure		
Already contracted for but not provided for		
• Expenditure	43 126 603	91 914 801
Total operational commitments		
Already contracted for but not provided for	43 126 603	91 914 801
Total commitments		
Total commitments		
Authorised capital expenditure	28 596 895	26 849 464
Authorised operational expenditure	43 126 603	91 914 801
	71 723 498	118 764 265

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

This committed expenditure consists of the following:

1. Nevhutalu Consulting	R 302,419
2. MK Cassidy Construction	R 957,183
3. ECE Engineers	R 675,453
4. Puttie Trading Enterprise	R 4,937,163
5. Mihandzu Consulting and Project Management	R 3,431,492
6. Marce Projects (Pty) Ltd	R 5,319,216
7. Ditshimega Projects and Training	R 3,382,978
8. Lindathina Trading 7 Projects	R 1,393,688
9. Mthembu Mvelase Civil Projects	R 7,761,994
10. NEP Consulting Engineers	R 450,309

This committed operational expenditure relates to general expenditure and will be financed by funds internally generated.

This committed expenditure consists of the following:

1. Fidelity Cash Solutions	R 429,686
2. Vukayimbe Trading Enterprise	R 35,550
3. Thembridge Support Services	R 3,570,305
4. I@ Consulting	R 2,549,823
5. Pambili Documents Solution	R 723,437
6. Legal Service Providers	R 1,579,456
7. Khabokedi Waste Management (Pty) Ltd	R 4,369,371
8. Bravo Span 90 CC	R 28,849,610
9. EWC Vehicle Communication (Pty) Ltd	R 1,019,365

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Figures in Rand	2020	2019
44. Contingencies		
Contingent liabilities		
Claim by P Mpele against the municipality for reinstatement to position of CFO	2 606 360	2 606 360
Claim by P Mpele against the municipality for reinstatement to position of MM	2 932 596	2 932 596
Claim by former EPWP workers against the municipality for permanent employment	299 520	299 520
Litigation is in process against the municipality by a supplier for claim of payment in respect services rendered for Debt collection, electricity vending and automated meter reading	16 000 000	16 000 000
	21 838 476	21 838 476
Contingent assets		
Claim by the municipality against a supplier regarding a contractual dispute	2 500 000	2 500 000
Claim by the municipality against a former employee for the unlawful and fraudulent transfer of municipal property	12 435 818	12 435 818
	14 935 818	14 935 818

Lesedi Local Municipality

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45. Related parties

Relationships

Accounting Officer

Close family member of key management

S Dlamini (Acting)

There were no transactions between close family members of key management

Members of key management

G Mncube (Acting CFO)

G Thimane (Executive Manager: Corporate Services)

N Khawula (Executive Manager: Community Services)

S Moholobela (Acting Executive Manager: Infrastructure Services)

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45. Related parties (continued)

Remuneration of management

Councillors/Mayoral committee members

2020

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Termination benefits	Total
Cllr LF Maloka (Executive Manager)	513 849	77 047	53 908	214 868	40 800	900 272
Cllr MNR Nkosi (Speaker)	411 500	61 725	53 908	160 443	40 800	728 376
Cllr MV Motsepe	444 243	62 137	32 857	135 366	40 800	685 403
Cllr T Motsepe	420 393	63 059	-	161 151	40 800	685 403
Cllr TS Moremi	383 423	57 513	42 516	161 151	40 800	685 403
Cllr MK Rakilla	383 423	57 513	42 516	161 151	40 800	685 403
Cllr TE Ramothibe	420 393	63 059	-	161 151	40 800	685 403
Cllr SJ Mnyakeni	196 945	29 542	35 305	87 264	40 800	389 856
Cllr MS Lukhele	158 111	23 717	22 158	68 004	40 800	312 790
Cllr TJ Gama	177 510	26 626	40 655	27 199	40 800	312 790
Cllr Malafela	217 245	32 587	22 158	-	40 800	312 790
Cllr HACCS Paul	139 735	20 960	43 297	67 998	40 800	312 790
Cllr RS Hlatshwayo	177 384	26 608	-	67 998	40 800	312 790
Cllr MP Mtshonyane	137 381	20 607	46 004	67 998	40 800	312 790
Cllr TP Nyembe	236 513	35 477	-	-	40 800	312 790
Cllr BV Mogorosi	221 897	33 285	16 808	-	40 800	312 790
Cllr MI Abdullah	236 513	35 477	-	-	40 800	312 790
Cllr MA Mulder	156 170	23 426	24 386	68 008	40 800	312 790
Cllr JM Sabasaba	236 513	35 477	-	-	40 800	312 790
Cllr ZS Twala	163 834	24 575	15 583	67 998	40 800	312 790
Cllr M Boshoff	152 216	22 832	28 944	67 998	40 800	312 790
Cllr PR Mchunu	162 768	24 415	16 808	67 999	40 800	312 790
Cllr LS Gamede	203 992	-	-	67 998	40 800	312 790
Cllr GC Holtzhausen	177 384	26 608	-	67 998	40 800	312 790

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45. Related parties (continued)

Cllr TN Mofokeng	141 131	21 170	41 681	68 008	40 800	312 790
Cllr EM Magazi	158 111	23 717	22 158	68 004	40 800	312 790
	6 398 377	929 159	601 650	2 085 753	1 060 800	11 075 739

2019

Name	Basic salary	Pension	Medical Aid	Travelling Allowance	Cellphone Allowance	Total
Cllr LF Maloka (Executive Manager)	582 301	77 230	50 066	210 590	40 800	880 987
Cllr MNR Nkosi (Speaker)	403 695	61 969	50 066	156 418	40 800	712 948
Cllr MV Motsepe	435 248	62 267	30 377	132 248	40 800	670 941
Cllr T Motsepe	403 806	62 876	-	157 460	40 800	670 942
Cllr TS Moremi	376 946	57 794	38 962	157 438	40 800	670 940
Cllr MK Rakitla	376 516	57 803	38 388	157 433	40 800	670 940
Cllr TE Ramothibe	409 834	62 876	-	157 431	40 800	670 941
Cllr SJ Mnyakeni	193 690	29 793	32 264	85 103	40 800	381 650
Cllr MS Lukhele	157 450	22 802	22 423	63 212	40 800	306 687
Cllr TJ Gama	174 843	26 935	37 584	26 526	40 800	306 688
Cllr M Malafela	212 702	32 701	20 484	-	40 800	306 687
Cllr HACCS Paul	141 787	21 842	35 960	66 298	40 800	306 687
Cllr RS Hlatshwayo	173 060	26 533	-	66 295	40 800	306 688
Cllr MP Mtshonyane	135 911	20 983	42 530	66 464	40 800	306 688
Cllr TP Nyembe	221 200	33 976	10 711	-	40 800	306 687
Cllr BV Mgorosi	218 032	33 498	14 357	-	40 800	306 687
Cllr MI Abdullah	230 515	35 373	-	-	40 800	306 688
Cllr MA Mulder	163 381	25 086	11 837	66 337	40 047	306 688
Cllr JM Sabasaba	230 515	35 373	-	-	40 800	306 688
Cllr ZS Twala	150 908	23 215	25 430	66 335	40 800	306 688
Cllr M Boshoff	150 114	23 089	26 354	66 331	40 800	306 688
Cllr PR Mchunu	159 515	24 505	15 538	66 330	40 800	306 688
Cllr LS Gamede	204 235	-	-	61 653	40 800	306 688
Cllr GC Holtzhausen	173 026	26 532	-	66 330	40 800	306 688
Cllr TN Mofokeng	139 801	21 549	38 207	66 332	40 800	306 689
Cllr EM Magazi	150 843	23 223	25 356	66 466	40 800	306 688

Lesedi Local Municipality

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45. Related parties (continued)

	6 264 875	929 823	566 894	2 029 030	1 060 047	10 850 669
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46. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2019

Note	As previously reported	Correction of error	Re-classification	Restated
Investment property	182 616 897	(1 223 478)	-	178 393 219
Property, plant and equipment	710 715 139	16 262 711	-	726 967 856
Receivables from exchange transactions	2 781 272	-	123 043 144	125 834 416
Receivables from non-exchange transactions	11 952 305	-	28 468 049	40 420 454
Consumer debtors	151 511 193	-	(151 511 193)	-
	1 059 586 706	12 029 239	-	1 071 615 945

Statement of financial performance

2019

Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	474 761 292	(1 252 720)	-	473 508 572
Administration and management fees received	2 142 377	-	(2 142 377)	-
Other income	1 634 997	1 252 720	2 142 377	5 030 094
Depreciation and amortisation	34 513 739	(187 465)	-	34 326 274
Loss on disposal of assets and liabilities	873 423	(788 190)	-	85 233
Surplus for the year	513 925 828	(975 655)	-	512 950 173

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46. Prior-year adjustments (continued)

Errors

The following prior period errors adjustments occurred:

Investment property

Duplicate components in the opening balance of investment were removed. Depreciation for the prior year was adjusted.

Property, plant and equipment

Duplicate components in the opening balance of property, plant and equipment were removed. Omissions of property, plant and equipment were recognised. Derecognitions for the prior year were reinstated. The depreciation for the year was adjusted accordingly.

Service charges

Burial and cemetery fees were incorrectly classified as service charges.

Reclassifications

The following reclassifications adjustment occurred:

Consumer debtors

Consumer debtors were reclassified to receivables from exchange transactions and receivables from non-exchange transactions. This was to ensure better presentation of the amounts in the financial statements.

Administration and management fees received

Administration and management fees received were reclassified to other income. This was to ensure better presentation of the amounts in the financial statements.

47. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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47. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Current account (Absa)	4 286 817	3 246 800
Current account (Absa)	50 345	536
Current account (FNB)	656 650	39 287
Current account (FNB)	-	(8 388)
Call account (Absa)	39 660 153	37 483 163
Call account (Investec)	23 759 547	396 579
Trade and other receivables from exchange transactions	3 645 515	2 791 272
Receivables from non-exchange transactions	13 627 419	11 952 405
Consumer debtors	185 255 010	151 511 193

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

48. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

49. Events after the reporting date

Interest charged by Eskom during the 2019/20 financial year amounting to R396,761 was reversed during July 2020. The financial statements have been adjusted accordingly.

50. Unauthorised expenditure

Opening balance as previously reported	166 177 454	163 129 891
Opening balance as restated	166 177 454	163 129 891
Add: Expenditure identified - current	-	3 047 563
Closing balance	166 177 454	166 177 454

Analysed as follows: non-cash

Debt impairment	-	3 047 563
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51. Fruitless and wasteful expenditure		
Opening balance as previously reported	12 945 384	12 871 787
Opening balance as restated	12 945 384	12 871 787
Add: Expenditure identified - current	4 394	73 597
Closing balance	12 949 778	12 945 384

Fruitless and wasteful expenditure consists of penalties and interest on late payments.

Company	Amount
Eskom	R 1,669
City of Ekurhuleni	R 2,724

52. Irregular expenditure

Opening balance as previously reported	269 316 478	208 505 305
Opening balance as restated	269 316 478	208 505 305
Add: Irregular Expenditure - current	6 661 485	60 811 173
Closing balance	275 977 963	269 316 478

The following amounts were regarded as irregular expenditure in the 2019/20 financial year:

Company	Amount
Shandukani Technologies	R 17,500
Webb Industries	R 53,955
Quidity CC	R 149,090
Endiphase	R 332,240
Focus Form	R 404,868
Combined Private Investigations	R 4,014,844
Singa Tel (Pty) Ltd	R 318,947
Maximum Profit	R 534,817
Payday Software System (Pty) Ltd	R 236,428
MK Cassidy Construction	R 262,866
Actophambili Roads (Pty) Ltd	R 275,830

53. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	4 001 730	4 069 156
Amount paid - current year	(4 001 730)	(4 069 156)

- -

PAYE and UIF

Current year subscription / fee	28 518 113	25 260 931
Amount paid - current year	(28 518 113)	(25 260 931)

- -

Pension and Medical Aid Deductions

Current year subscription / fee	52 773 302	29 371 318
Amount paid - current year	(52 773 302)	(29 371 318)

- -

Lesedi Local Municipality

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Figures in Rand

	2020	2019
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53. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	(86 124 609)	(66 792 075)
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All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
M Boshoff	1 808	-	1 808
MM Skosana	1 645	12 064	13 709
	3 453	12 064	15 517

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
PR Mchunu	1 953	431	2 384
MM Skosana	1 398	21 200	22 598
	3 351	21 631	24 982

54. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Twenty seven procurements (spread over 22 companies), noted below, were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The procurements noted above are:

Reason	Number	Value
Emergency [S36(1)(a)(i)]	1 Company	R 120,000
Impractical to follow SCM [S36(1)(a)(v)]	18 Companies	R 8,175,921
Technical nature [S36(1)(b)]	3 Companies	R 2,240,140

55. Reconciliation of traffic fines

Traffic fines	138 717 636	137 816 443
Impairment	(129 854 024)	(128 951 785)
	8 863 612	8 864 658

Lesedi Local Municipality

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2020 2019

56. Distribution losses

Electricity	Units (2019/20)	Amount (2019/20)	Percentage (2019/20)	Units (2018/19)	Amount (2018/19)	Percentage (2018/19)
Technical losses	11 368 293	9 946 008	5.20	12 583 626	9 760 116	5.20
Non-technical losses	29 618 143	25 912 624	13.55	53 442 357	41 450 977	22.08
	40 986 436	35 858 632	18.75	66 025 983	51 211 093	27.28

Water	Units (2019/20)	Amount (2019/20)	Percentage (2019/20)	Units (2018/19)	Amount (2018/19)	Percentage (2018/19)
Technical losses	434 870	4 362 809	5.54	388 564	4 202 664	5.54
Non-technical losses	2 875 578	20 851 895	25.67	1 372 345	14 843 126	19.57
	3 503 846	25 214 704	31.21	1 760 909	19 045 790	25.11

Non technical losses for electricity includes own use of 2.25% (R4,301,498) and loss due to illegal connections of 11.30% (R21,611,126).

Non technical losses for water includes own use of 1.12% (R902,324).

57. Budget differences

Material differences between budget and actual amounts

Explanation for the variances between budget and actual amounts:

1. Recoveries - Claims higher than anticipated.
2. Other income - Minor revenue source, budget conservative.
3. Interest received - Higher cash and debtor balances
4. Government grants and subsidies - Impact of Covid-19 resulting in lower spending on capital projects.
5. Public contributions and donations - Donations of bulk infrastructure not budgeted for.
6. Fines, penalties and forfeits - Fines underbudgeted for.
7. Impairment loss - Impairment based on physical verification of assets
8. Debt impairment - Debtors collection rate lower than anticipated.
9. Bulk purchases - Consumption lower than anticipated.
10. Contracted services - Cost containment measures.

Lesedi Local Municipality
Appendix A

Schedule of external loans as at 30 June 2020

Loan Number	Redeemable	Balance at Sunday, 30 June 2019	Received during the period	Redeemed written off during the period	Balance at Tuesday, 30 June 2020	Carrying Value of Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
R13 Ratanda electricity - 9.45% fixed	15 years	1 123 261	-	535 573	587 688	-	-
R14 Electrical upgrade - 9.59% fixed	20 years	14 003 752	-	1 036 521	12 967 231	-	-
R15 Electrical upgrade - 5% fixed	20 years	8 005 430	-	723 297	7 282 133	-	-
R16 Vehicles - 11.87% fixed	12 years	1 545 344	-	456 647	1 088 697	-	-
R17 Infrastructure - 6.75% fixed	20 years	2 396 990	-	152 623	2 244 367	-	-
R18 Other - 14.24% fixed	20 years	4 434 539	-	183 409	4 251 130	-	-
R19 Electrical infrastructure - 12% fixed	20 years	6 628 703	-	243 201	6 385 502	-	-
R20 Electrical upgrade - 6.75% fixed	20 years	10 039 880	-	528 092	9 511 788	-	-
R21 Roads and stormwater - 11.65% fixed	12 years	2 777 409	-	499 068	2 278 341	-	-
Total external loans		50 955 308	-	4 358 431	46 596 877	-	-
		50 955 308	-	4 358 431	46 596 877	-	-